



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
ACTING AUDITOR-CONTROLLER

ROBERT A. DAVIS
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January 8, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM:

Wendy L. Watanabe
Acting Auditor-Controller

A handwritten signature in cursive script, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **ASIAN AMERICAN DRUG ABUSE PROGRAM CONTRACT REVIEW - A
COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT
ACT PROGRAM PROVIDER – FISCAL YEAR 2008-09**

We completed a program, fiscal and administrative contract review of Asian American Drug Abuse Program, Inc. (AADAP or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with AADAP, a private non-profit community-based organization to provide and operate the WIA Youth Program. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. AADAP's office is located in the Second District.

AADAP is compensated on a cost reimbursement basis with a contract for \$53,000 for Fiscal Year (FY) 2008-09.

Purpose/Methodology

The purpose of the review was to determine whether AADAP complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's

accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

Results of Review

Generally, AADAP provided the program services to eligible participants and maintained sufficient internal controls over its business operations. However, AADAP billed CSS \$1,052 in questioned costs. In addition, AADAP did not maintain appropriate documentation in the participants' case files for two (20%) of the ten participants sampled to support the program activities reported as completed on the Job Training Automation System.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with AADAP on October 8 and 9, 2008. In their attached response, AADAP concurred with our findings and recommendations, including repaying CSS \$1,052 in questioned costs.

We thank AADAP for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Department of Community and Senior Services
Mike Watanabe, President and CEO, Asian American Drug Abuse Program, Inc.
Karl Nobuyuki, Chairperson, Asian American Drug Abuse Program, Inc.
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
ASIAN AMERICAN DRUG ABUSE PROGRAM, INC.
FISCAL YEAR 2008-09**

ELIGIBILITY

Objective

Determine whether Asian American Drug Abuse Program, Inc. (AADAP or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for ten (56%) of the 18 participants that received services between July 2007 through October 2008 for documentation to confirm their eligibility for WIA services.

Results

Generally, AADAP maintained appropriate documentation to support the eligibility of the ten participants sampled.

Recommendations

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for ten (56%) participants that received services during July 2007 through October 2008. We also interviewed seven participants/guardians.

Results

The seven participants/guardians interviewed stated that the services they received met their expectations. However, AADAP did not maintain appropriate documentation in the participants' case files for two of the 10 youth to support the program activities on the

Job Training Automation (JTA) System. Specifically, AADAP did not maintain documentation, such as receipts and other documentation, to support the supportive services, educational achievement services, and/or leadership services reported as completed on the JTA System. The JTA System is used by the State of California Employment Development Department and the Department of Labor to track WIA participants' activities. This finding was also noted during the prior year's monitoring review.

Recommendation

1. AADAP management ensure that staff maintain appropriate documentation in the participants' case files to support the program activities reported as completed on the Job Training Automation System.

PERFORMANCE OUTCOME**Objective**

Determine whether AADAP met the planned performance outcomes as outlined in the County contract. The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

Verification

At the time of our review, the performance outcomes for FY 2008-09 were not available. As such, we compared the reported Fiscal Year (FY) 2007-08 actual performance outcomes to the planned performance outcomes outlined in the County contract. During FY 2007-08, AADAP's contracts included both the WIA Youth and Adult Special Needs programs.

Results

AADAP met all the FY 2007-08 planned performance outcomes outlined in the County contract for the WIA Youth Program. However, AADAP did not obtain at least 85% of their planned performance outcomes as required by the County contract for the WIA Adult Special Needs Program. Specifically, AADAP trained 75% of the planned training for the WIA Adult Special Needs Program.

Recommendation

2. AADAP management ensure that planned performance outcomes are met as required by the County contract.

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's August 2008 bank reconciliation.

Results

Generally, AADAP maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 13 non-payroll expenditure transactions billed by the Agency for July and August 2008, totaling \$2,277.

Results

Generally, AADAP's expenditures were allowable, accurately billed and supported by documentation as required.

Recommendation

There are no recommendations for this section.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various areas such as expenditures, payroll and personnel.

Results

Generally, AADAP maintained sufficient internal controls over its business operations.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether AADAP's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of 15 items purchased with WIA funds, totaling \$22,218.

Results

AADAP used the equipment purchased with WIA funds for the WIA program and the assets were safeguarded.

Recommendation

There are no recommendations for this section.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA program. In addition, determine whether the Agency obtained criminal record clearances and verified employability for the employees assigned to the WIA program.

Verification

We traced the payroll expenditures invoiced for two employees totaling \$1,162 for August 2008 to the Agency's payroll records and time reports. We also interviewed one staff and reviewed the personnel files for two employees assigned to the WIA program.

Results

Generally, AADAP appropriately charged payroll expenditures to the WIA program. In addition, AADAP obtained criminal record clearances and verified employability for the two employees assigned to the WIA program.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN**Objective**

Determine whether AADAP's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in July and August 2008 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Generally, AADAP's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

There are no recommendations for this section.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's FY 2007-08 final close-out invoices for the WIA Youth and Adult Special Needs programs reconciled to the Agency's financial accounting records. As previously indicated, AADAP's FY 2007-08 contracts included both the WIA Youth and Adult Special Needs programs.

Verification

We traced AADAP's FY 2007-08 general ledgers to the Agency's final close-out invoices for FY 2007-08. We also reviewed a sample of expenditures incurred in February, April, May and June 2008.

Results

AADAP billed CSS \$1,052 in questioned costs. Specifically, AADAP's final close-out invoices did not reconcile to the Agency's general ledgers. Unsupported expenditures totaled \$677. In addition, AADAP inappropriately billed CSS \$375 in FY 2008-09 expenditures in FY 2007-08.

Recommendations**AADAP management:**

3. Repay CSS \$1,052.
4. Bill CSS based on actual expenditures incurred.
5. Ensure that expenditures charged to the WIA program are for costs incurred during the contract period.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2007-08 monitoring review were implemented. The report was issued on April 9, 2008.

Results

The prior year's monitoring report contained 14 recommendations. AADAP implemented 12 recommendations. As previously indicated, the finding related to recommendation 1 contained in this report was also noted during the previous year's monitoring review. The remaining recommendation required Agency management to ensure that annual performance evaluations were performed. AADAP management indicated that they would implement the outstanding recommendation by January 31, 2009.

Recommendation

- 6. AADAP management implement the outstanding recommendations.**



AADAP, Inc.
(Asian American Drug Abuse Program)
www.aadapinc.org

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Los Angeles, CA 90016
Tel : (323) 293-6284
Fax : (323) 295-4075

November 20, 2008

Ms. Wendy L. Watanabe, Acting Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071
Attn: Yoon Bae, Principal Accountant-Auditor

Subject: Response to the County of Los Angeles Department of Auditor-Controller Draft
Report on the Asian American Drug Abuse Program FY 08-09 WIA Contract Review

Dear Ms. Watanabe:

This is AADAP's response to the findings of the County of Los Angeles Department of Auditor-Controller Countywide Monitoring Division. The program, fiscal, and administrative review was conducted on October 7 - 9, 2008 for AADAP, Inc.'s WIA Program contracts with Community and Senior Services.

Our response to the findings and recommendations are individually articulated in the attached as "Corrective Action Plan." The result of our response is that we agree to pay CSS the amount of \$1,052.

If you have any questions regarding this matter, please do not hesitate to call me at (323) 293-6284 or send me an email at miwat@aadapinc.org.

Sincerely,

Mike Watanabe, MSW
President & CEO

cc: Yoon Bae, Principal Accountant-Auditor
Daisy Asis-Nakanishi, Program Director
Romina Peralta, Controller
Dean Nakanishi, Administrative Director
Contract file

Therapeutic Community
5818 S. Crenshaw Blvd
Los Angeles, CA 90043
(323) 293-4294
Fax (323) 293-1691

Outpatient Unit
520 N. La Brea Avenue
Inglewood, CA 90302
(323) 294-4932
Fax (323) 294-2533

Employment Access
Outpatient Counseling
1088 S. La Brea Avenue
Los Angeles, CA 90019
(323) 295-0262
Fax (323) 295-2375

Indochinese Youth & Community Center
14112 S. Kingsley Drive
Gardena, CA 90247
(310) 768-8064
Fax (310) 768-2779

Youth Outpatient Treatment
13931 S. Van Ness Ave #202
Gardena, CA 90249
(310) 768-8018
Fax (310) 768-4170

Olympic Academy
(323) 933-9022
Fax (323) 933-4029

Attachment A

**Response to the County of Los Angeles Department of Auditor-Controller
Draft Report on the Asian American Drug Abuse Program FY 08-09 WIA
Contract Review**

ELIGIBILITY

• **Results**

Generally, AADAP maintained appropriate documentation to support the eligibility of the ten participants sampled.

• **Recommendation**

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

• **Results**

The seven participants/guardians interviewed stated that the services they received met their expectations. However, AADAP did not maintain appropriate documentation in the participants' case files to support the program activities reported as completed on the Job Training Automation (JTA) system for two (20%) of the ten youth participants sampled. Specifically, AADAP did not maintain documentation, such as receipts and other documentation, to support the supportive services, educational achievement services, and/or leadership services reported as completed on the JTA system. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participants' activities. This finding was also noted during the prior year's monitoring review.

• **Recommendation**

1. AADAP management ensure that staff maintain appropriate documentation in the participants' case files to support the program activities reported as completed in the JTA system.

• **Corrective Action Plan**

1. AADAP management will ensure that staff maintain appropriate documentation in the participants' case files to support the program activities reported as completed in the JTA system.

PERFORMANCE OUTCOME

• Results

AADAP met all the FY 2007-08 planned performance outcomes outlined in the County contract for the WIA Youth Program. However, AADAP did not obtain at least 85% of their planned performance outcomes as required by the County contract for the WIA Adult Special Needs Program. Specially, AADAP trained 75% of the planned training for the WIA Adult Special Needs Program.

• Recommendation

2. AADAP management ensure that planned performance outcomes are met as required by the County contract.

• Corrective Action Plan

2. AADAP management will ensure that planned performance outcomes are met as required by the County contract.

CASH/REVENUE

• Results

Generally, AADAP maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

• Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT

• Results

Generally, AADAP's expenditures were allowable, accurately billed to DCSS and supported by documentation as required.

• Recommendation

There are no recommendations for this section.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

• Results

Generally, AADAP maintained sufficient internal controls over its business operations.

- **Recommendation**

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT

- **Results**

AADAP used the equipment purchased with WIA funds for the WIA Program and the assets were safeguarded.

- **Recommendation**

There are no recommendations for this section.

PAYROLL AND PERSONNEL

- **Results**

Generally, AADAP appropriately charged payroll expenses to the WIA program. In addition, AADAP obtained criminal record clearances and verified employability for the two employees assigned to the WIA program.

- **Recommendation**

There are no recommendations for this section.

COST ALLOCATION PLAN

- **Results**

Generally, AADAP's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

- **Recommendation**

There are no recommendations for this section.

CLOSE-OUT REVIEW

- **Results**

AADAP billed CSS \$1,052 in unsupported and unallowable expenditures. Specifically, AADAP's final close-out invoices did not reconcile to the Agency's general ledgers. Unsupported expenditures totaled \$677. In addition, AADAP inappropriately billed CSS \$375 in FY 2008-09 expenditures in FY 2007-08.

• **Recommendations**

AADAP management:

3. Repay CSS \$1,052.
4. Bill CSS based on actual expenditures incurred.
5. Ensure that expenditures charged to the WIA program are for costs incurred during the contract period.

• **Corrective Action Plan**

3. AADAP management will pay CSS \$1,052.
4. AADAP management will bill CSS based on actual expenditures incurred.
5. AADAP management will ensure that expenditures charged to the WIA program are for costs incurred during the contract period.

PRIOR YEAR FOLLOW-UP

• **Results**

The prior year's monitoring report contained 14 recommendations. AADAP implemented 12 recommendations. As previously indicated, the finding related to recommendation 1 contained in this report was also noted during the previous year's monitoring review. The remaining recommendation required Agency management to ensure that annual performance evaluations were performed. AADAP management indicated that they would implement the outstanding recommendation by January 31, 2009.

• **Recommendation**

6. AADAP management implement the outstanding recommendations.

• **Corrective Action Plan**

6. AADAP management will implement the outstanding recommendations.